Problem of Income Distribution in India

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Abstract: **Income distribution is a vital aspect of any country's improvement. Country's growth and development depends upon its per capita income of the people. If any country's citizen's income will increase then it's future will be glorious because whereas more income increases the purchasing power and also consumption of the people, on the other side, it also increases saving and investment which in turn raises the production & output of the country. Increased production improves the country's economic condition which is helpful for removing poverty & unemployment. India is a large country and its population is very high. There are 31 states within India. Each states have its own citizens, culture, languages, life style etc. So in this vast country, there exist great difference between culture, language, life style and income of the people.**

Keywords: **Income, distribution, inequality, poverty, inflation, price rise etc.**

Introduction: Income distribution inequalities become a great problem in modern India. The people who possess larger wealth by inheritance, person having heavy property or assets, also the people ,getting property or money by any means such as doing business, service or any other profession are called rich people. In rural areas also, some powerful artisans, large farmers, land owners, amenders, money lenders fall into this rich category. They always torture their lower classes. In India, very few people are rich. Most of the people except rich person within the country are poor and middle class category. Middle class people have smaller wealth and have little property. But poor people does not have any property and they are in large number are agricultural or industrial laborer. Their income is very low. In most of the cases, they are unemployed or get lower wages and are often exploited by the upper classes. They have poor shelter and in urban area they live in slums. They have to remain in starvation in most of the days as they have no money for purchasing food. In India, rich people have higher income and live with poor and middleclass people. But there is a vast inequality in income distribution of the people within the country which is not beneficial for country's development. This chapter tries to highlight the reasons for income inequalities in India and tries to find out the ways for solving the problem.

Objectives of the study: The objectives of the study are-1)To study and to know about the pattern of income distribution in India.2)To know about reasons which are responsible for inequalities of income distribution in India.3)To know about the government's policy and undertaken measures for removing the problem of income distribution.4)To analyze the nature of the problem and to give actual picture of income distribution.5)To suggest the measures for solving the problems.6)To put forward an ideal model for income distribution and compare it with the total income distribution in India.7)To put forward recommendations for developing the pattern of income distribution.

Methodology of the study: The data will be collected from primary and secondary source in India. The primary data will be collected with the help of interview and survey method. The primary data will also be collected from a sample survey among the farmers, producers, consumers and buyers, retailers and whole seller of the market. The information has been collected through observation & family survey in different urban areas & villages and taking interview by asking various questions related to their income to different rich, poor and middle class people in those areas. The conclusion has been made on the basis of this information and by analyzing the data, this paper has been formulated. For evaluating the objectives of the study the secondary data will be collected from the various sources such as books, journals, reports, websites, university libraries, planning commissions, govt. publications(central & state),state & district wise statistical office, different income distribution measuring agencies, organization and committees, various market committees etc.

Statement of the problem: In India, there is no official organization to compile the data on income distribution. In 1960, the committee on distribution of income and levels of living under the chairmanship of P.C. Mahalanobis was appointed to look into the question of distribution of income. National Council of Applied Economic Research (NCAER) and some individual researchers have examined the pattern of income distribution in India at different points of time. Income distribution in different years during the 1950s was estimated by F.H. Lydall, N.s. Iyengar and M. Mukherjee, the RBI and the NCAER. It appears from estimate that the top 10$ of the households had received about 35% of the income of the country. During 1964-65, the NCAER and P.D. Ojha and V.V. Bhatt estimated personal income distribution at different points of time. During the second decade of the planning period, they used the CSO data on national income, estimates of direct taxes paid by unincorporated business and households saving data for estimating the aggregate consumption expenditure which they distributed among the deciles expenditure groups of population on the basis of reverent NSS percentage distribution. On the assumption of saving which are done by the richest, they were added to the consumption expenditure to the topmost group. The planning commission in the Draft Five Year Plans 1978-83 observed trends in the distribution of income and wealth are difficult to discern but the evidence of gross income inequalities is clear. In 1883, the top 20% household had accounted for 41% of the expenditure. In early 1991, a major economic crisis surfaced in India. The Government responded to this crisis by introducing certain neo-liberal economic reforms and hoped for spectacular results. This of course did not happen. However growth quickly recovered to 6% per annum by 1993-94. Over the liberalization period GDP growth rate has been slightly higher as compared to the 1980s but poverty and the gap between rich & poor has not been reduced. Moreover, the distribution of consumption expenditure becomes more inequitable. In 2011-12 the top 10% of the consumers in rural areas, on an average consumed seven times more than someone in the bottom 10% of the pile while in urban areas the top 10% consumers consumed almost eleven times more than the poorest 10%. According to a report on global wealth released by Credit Suisse in November 2016, the share of the top 1% in the country's wealth rose from 36.8% in 2000 to as high as 58.4% in 2016.

Causes of Income Inequalities in India:

1) Inequalities in land ownership and concentration of tangible wealth in the rural sector: There was concentration of landed property in India during the British period on account of the zamindari system. The zamindari system was abolished immediately after Independence, yet the concentration of land ownership could not be broken. The marginal and small holdings were as many as 85% holdings but they operated only 44.6% area whereas large holdings were only 0.7% of total holding but operated 10.6% of total cultivated area. This concentrated ownership of land and other assets create income inequalities in rural sector.

2) Concentration of assets in private corporate sector: There is an extreme concentration of economic wealth and power in the hands of large industrialists and they have succeeded in acquiring massive assets overtime. They have been aided in their efforts by the easy availability of finance from banks and other financial institutions besides equality of capital which they raise from the market. This is the reason even in the period of recession that their assets continue to increase. Concentration of economic power in the private corporate sector at best remained unchanged during the growth oriented phase and increased during the deceleration phase. With increasing facilities and growth opportunities being provided to the large industrialists in the period of economic reforms, in 1991 increasing concentration of wealth & economic power have been further strengthened.

3) Rising capital intensity of technology: With massive changes in technology taking place specially in the field of information technology, there has been a significant shift of demand in favour of capital vis-à-vis labour, thereby raising the share of profits relative to wages which has shifted demand in favour of more skilled workers relative to less skilled workers, thereby raising wage differential between skilled work including managerial work and unskilled work. These trends have raised inequality.

4)Inflation and the price rise: Since the mid-1950s, prices have been rising continuously eroding the real income of the working class while the industrialists, traders and farmers with large marketable surplus have benefited a great deal from this inflationary process. In India very little has been done to offset this redistributive effect of inflation and as a result it has greatly created income inequalities.

5) Inequity in credit facilities: In India there is inequity in credit facilities which attracts the inequalities arising from an unequal distribution of wealth. Business firms and individuals having an access to the formal capital markets manage to obtain finance on very favorable terms, while vast small and marginal farmers, agricultural labourers and artisans depend heavily on money lenders who charge high rate of interest and exploit these poor people in many ways.

6) Urban bias in private investment: While 70% of the population lives in rural areas, then about 70% of private investment goes to industries in urban areas. Therefore there is a distinct 'urban bias' in the pattern of private investment which takes the form of highly merchandised projects in which the share of wages is very low. The rate of employment creation in the capital-intensive sector is very slow than the faster rate of rate of growing labour force which leads to income inequalities.

7)The role of the government: The government investment essentially plays a supportive role to private investment especially in the large & capital intensive enterprises as the government depends for its support on the same social forces which own the wealth of the country and supply the technicians, administrators and the dominant political groups. In such an environment the government guards the status quo and adopts various policies which are mostly favor in these higher classes. Even the public expenditure policies in the field of social welfare i.e. health, education, social security, public housing etc.help the relatively better off people more than the wretched poor belonging to the lowest income groups.

Government Policy and measures:

1) Land reforms and redistribution of agricultural land: Before the abolition of the zamindari system, most of the land belonged to the absentee landlords who possess a large portion of agricultural production while the tiller of the soil got hardly enough for subsistence. So legislative measures were undertaken to abolish landlords & other intermediaries and on ceilings on land holdings. Serious attempts to carry out these reforms broke the concentration of agricultural land but unfortunately these legislative measures were inadequate & defective and their implementation was wrong at various levels.

2) Control over monopolies and restrictive trade practices: Control of monopoly tendencies is considered necessary for reducing income inequalities. The Monopolies and Restrictive Trade Practices Act was passed as late as 1969.The Act thus provided for control over monopolies and also for prohibiting restrictive trade practices. In case of business houses indulging in objectionable restrictive trade practices, their cases were to be handed over to the Monopolies and Restrictive Trade Practices Commission. The industrial licensing machinery which protect and encourage small industries had failed. The bigger industrial houses had utilized the licensing system to the detriment of small enterprises. During liberalization period of industrial sector, monopoly trends are further strengthened and economic disparities increase.

3) Employment and wage policies: The government has introduced many employment and wage policies to remove income inequalities. These schemes were The Integrated Rural Development Programme in 1978-79, The National Rural Employment Programme, Rural Landless Employment Guarantee Programme aimed at providing employment to the rural poor with eliminating poverty etc. In April, 1989 the NREP & the RLEGP were merged into the Jawar Rozgar Yojana. The IRDP and allied programmes such as Training of Rural Youth for Self-Employment and Development of Women and Children in Rural areas have been restructured into a single programme called 'Swarnajaqyanti Gram Swarozgar Yojana' from April, 1999.The JRY has renamed as 'Jawar Gram Samridhi Yojana' from April, 1999.The UPA government at the centre introduced 'Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)' to alleviate poverty. Role of statutory minimum wage to improve the condition of the poor is limited in India. The statutory wage provisions become ineffective particularly in the countryside where agricultural labour is ignorant of law, unorganized and oppressed. But the workers in the organized sector can improve their incomes.

4) Social security measures: There are some social security provisions which are expected to help the workers in the organized sector. The Workmen's Compensation Act, giving compensation to industrial workers in case of injury resulting in death, disability or disease while on duty. Similarly, the Maternity Benefit Act helps the women workers; Employee's Provident Fund Act gives the benefit of provident fund to the employees. The Employees state Insurance Act gives medical benefit, disability benefits, and benefits for dependents to the insured workers. Moreover, Unemployment dole and old age pension makes a frontal attack on poverty. Unfortunately, these measures have not been introduced effectively in India till now.

5)Minimum Needs Programme: It was introduced in the Fifth Plan aimed at assisting economic growth and alleging poverty where the provision of free or subsidized services through public agencies is expected to improve the consumption levels & productive efficiency of poor workers. Even though the integration of social consumption programme with economic development programme is necessary to accelerate growth.

6) Programme for uplifting of the rural poor: In order to raise income of these poor people, the following three types of programmes have been undertaken which are i) Resource and income development programme for the rural poor ii) Special development programme for the rural poor iii) Works programme for creation of supplementary employment opportunities. A number of programme have been introduced in the planning period such as Integrated Rural Development programmne, National Rural Employment Programme to remove seasonal unemployment & under employment, Anti-poverty programmes under sixth plan, Jawar Rozgar Yojana, Mahatma Gandhi National Rural Employment Guarantee Scheme in 2006 etc.

7) Taxation: The government should introduce taxation according to the capacity for paying tax & income. Rich persons, more property holder and higher income group should be taxed more. Beside this, taxes should be such that it increases with the increase of income of the people. Similarly sales tax should be charged on the total amount of sales. For this purpose, the government have been introduced a number of taxes like income tax, service tax, corporate tax, sales tax, VAT, GST, land tax, wealth tax etc. Those taxes increase government's revenue collection with reducing income equalities to some extent.

Conclusion: In India although rich and poor ,literate and illiterate, men& women, all participate in electing the government ,yet the power always remains in the hands of the capitalist, landlords, rich farmers. Under these circumstances ,we should not expect any positive approach from the government for elimination of economic disparities & income ineualities.Even if employment generation programme have succeed recently, but more employment opportunities should be created. Poverty and income can be reduced if strong and effective redistributive policies are introduced by the government which include changes in distribution of assets, direct redistributive transfers, increased spending on health and education, creation of quality jobs, social safety nets for the poor etc.

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